

Rosefinch Weekly

Policy supports market sentiment; market follows two main themes

1. Market Review

For the week, A-share market rallied across the board: SSE was +2.77%, SZI was +1.29%, GEM was +2.01%, SSE50 was +1.64%, CSI300 was +1.21%, and CSI500 was +3.76%.



Source: Wind, Rosefinch.

Amongst the ShenWan Primary industries, 22 out of 28 rose with excavation, non-ferrous metals, electric equipment, steel, and chemical engineering the top 5 performers.



Source: Wind, Rosefinch

Market volume increased, with Northbound net +18 billion RMB, and Southbound net -4.8 billion RMB.



Source: Wind, Rosefinch

2. Market Outlook

On economic data front, last Monday was the July 2021 industrial profit number with relatively high level of overall profitability. The July 2021 profit level was up +57.3% vs 2020. If we take the two-year average vs 2019, it's +20.2% per annum vs +20.6% in June. The main reasons for the high profitability are: first, export growth remains robust at over 10% growth, creating a healthy outlook for manufacturing sector; second, July commodity price had a clear uptrend, causing rebound in PPI thus higher profitability for upstream industries. In comparison, the downstream industries have higher profit pressure from several factors like lower real estate demand, more challenging export environment, increasing PPI, and US Taper expectations. Having said that, the upstream profit compression pressure is likely higher than downstream.

On macro policy front, PBOC held a few policy meetings with continued emphasis on increasing credit and loan creation. There was concern on the sharp slowdown in credit growth with July RMB loan at 1.08 trillion RMB vs 1.2 trillion expected; M2 at +8.3% vs +8.7% expected; social financing at 1.06 trillion RMB vs 1.7 trillion expected. Going forward, PBOC will implement a combination of effectively loose monetary policy and steady credit growth. These stimulative policies should support market sentiment.

Equity market follows two main themes: one is for growth stocks with more differentiated sectoral outlooks and rare resources in demand; the other is the rebalancing by capital allocators to divest from high-valuation or high-volatility sectors. But to be clear, the typical cyclical sectors like real estate, building material, construction equipment are not having a much stronger outlook, but rather a better cost-performance ratio. Those funds that are leaving the policy-impacted biopharmaceutical, internet, consumer sectors are also looking for high-certainty sectors. Given the current environment, a more balanced sectoral allocation can reduce portfolio volatility.

Please note at 6 pm Shanghai Time on August 31st, we will host webinar on “Medical Equipment Industrial Chain Research and Investment Perspectives.” Please scan the link attached below to register.



朱雀基金
Rosefinch Fund

产业链
大讲堂
生物医药
产业链

医疗器械产业链研究
与投资观点交流

李扬
朱雀基金
研究部高级研究员

08/31 周二 下午 6:00
扫码进入 输入日期

投资有风险 入市需谨慎

Disclaimer

The information and data provided in this document is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial products or services. This document is not intended for distribution to, or usage by, any person or entity in any jurisdiction or country where such distribution or usage are prohibited by local laws/regulations. The contents of this document are based upon sources of information believed to be reliable at the time of publication. Except to the extent required by applicable laws and regulations, there is no express or implied guarantee, warranty or representation to the accuracy or completeness of its contents. Investment returns are not guaranteed as all investments carry some risk. The value of an investment may rise or fall with changes in the market. Past performance is no guarantee of future performance. This statement relates to any claims made regarding past performance of any Rosefinch (or its associated companies') products. All rights are reserved by Rosefinch Fund Management Co. Ltd and its affiliates.